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Ex Parte

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Special Access Rates for Price Cap Local Exchange Carriers, WC Docket 05-25

Dear Ms. Dortch:

Yesterday, Edward Shakin and the undersigned of Verizon met with Christine Kurth of Commissioner McDowell's office to discuss special access. Verizon explained that there are numerous competitive alternatives to its special access services. We discussed how the intense competition that currently exists for high capacity services is only going to increase with the new demand for greater capacity that will result from the rollout of fourth generation wireless services. Verizon also discussed its prices and indicated that the prices customers are actually paying for Verizon's special access services have declined by more than 24 percent in real terms between 2002 and 2008. Verizon used the attached handout as a basis for discussion in the meeting and referenced the maps previously filed in Verizon's October 6, 2009 ex parte in this docket.

Sincerely,

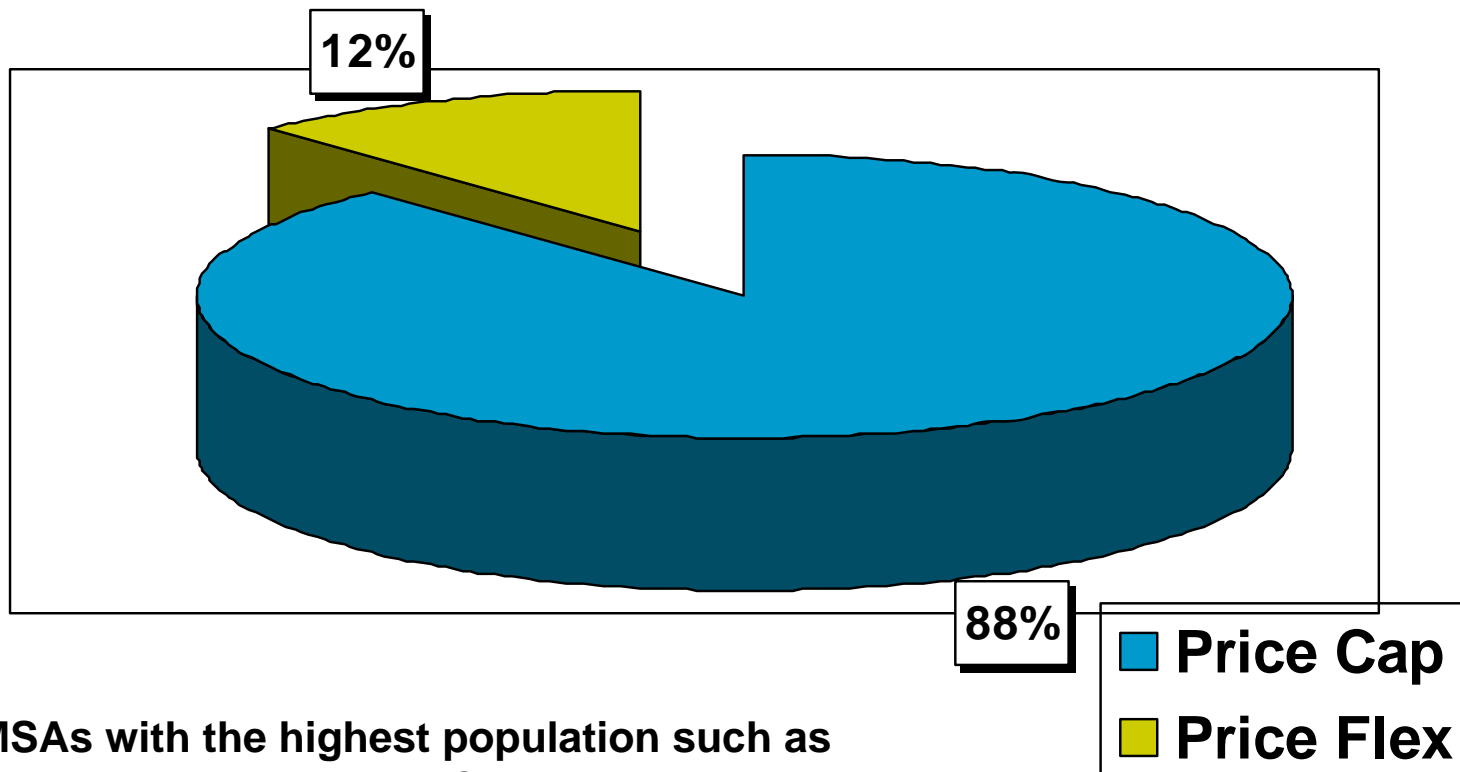
A handwritten signature in black ink that reads "Donna Epps".

Special Access

The Vast Majority of Verizon's MSAs are Subject to Price Caps for Last Mile Facilities.



Percent of MSAs Subject to Price Cap and Price Flex Regulation



Verizon's MSAs with the highest population such as New York, Boston, Washington DC and Los Angeles remain subject to price caps for the last mile facility.

Numerous Competitors Provide High Capacity Services.



A number of companies provide high capacity services and compete against ILECs for big business and carrier customers. There is an average of 8 known competitive networks in the top 25 MSAs.



Competitors Publically Boast About their Ability to Compete.



- Cablevision's Chief Operating Officer, Tom Rutledge, estimated at a Goldman Sachs conference that "the commercial business in its footprint is worth nearly \$6 billion." He added that... "Cablevision already has fiber service to twice as many buildings in its Metropolitan New York footprint than incumbent phone company Verizon Communications."

http://www.multichannel.com/article/125275-Cablevision_Eyes_Commercial_Phone.php

- Edgar DeLong, Vice President of Offer Management for Level 3, said that Level 3 "provide[s] services today to all seven of the top wireless companies. A lot of that is long-haul transport, metro transport, local voice termination, Internet services and now backhaul." Telephony Online (April 1, 2008) <http://telephonyonline.com/ctia/news/level-3-backhaul-0401/>

Wireless Carriers have a Choice for Backhaul Options at Most Cell Sites.

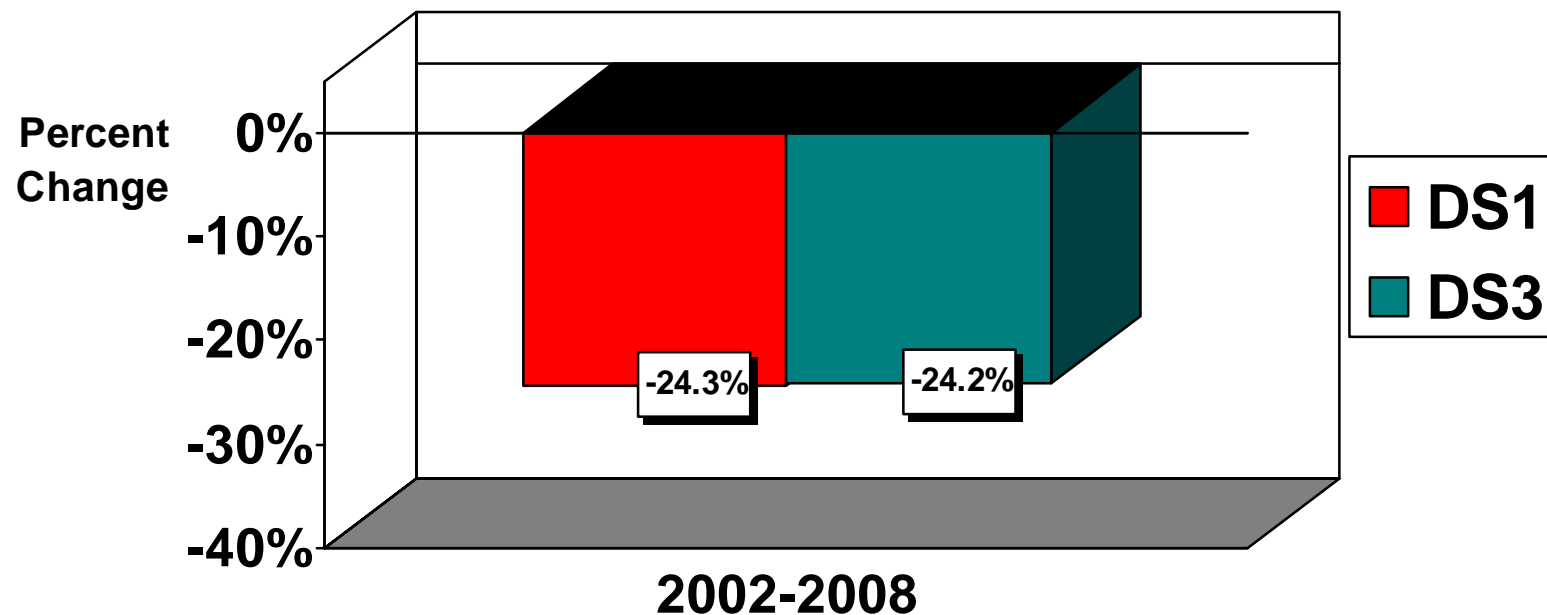


- Time Warner Cable's Chief Operating Officer Hobbs has indicated that because Time Warner Cable's fiber is close to cellular towers, it will not require "much incremental expense" for Time Warner Cable to provide backhaul services to those towers. *Time Warner Cable, Inc. at Merrill Lynch Media Fall Preview-Final*, Fair Disclosure Wire, Transcript 090908au.781 (Sept. 9, 2008) (statement by Landel Hobbs, Chief Operating Officer, Time Warner Cable).
- Earl Ipsaro, Fibertech's Vice President of Engineering, said that "Fibertech is right in the game when it comes to 3G backhaul. We are providing traditional TDM services – T1s to cell towers – as well as next-generation Ethernet. We have also worked with some carriers on the 4G rollout." *Exchange Magazine* (July 16, 2009) <http://www.xchangemag.com/articles/548/fibertech-3g-backhaul-success.html>
- Clearwire claims to have "one of the largest wireless backhaul networks in the world" [*Leap Wireless International at Jefferies Panel Discussion*, Fair Disclosure Wire, Transcript 090908ay.703 (Sept. 9, 2008)(statement by Scott Richardson, Chief Strategy Officer, Clearwire)] and has told analysts that it is investing in microwave equipment so it can self-provision facilities to meet "roughly 80 percent of its [wireless] backhaul . . . from microwave links," and expects this investment "will pay for itself in 10 months." John Hodulik, UBS Investment Research, *Clearwire Corp.* at 13 (Dec. 19, 2008).

The Prices that Customers Pay for Special Access Services Have Declined.



Real Change in Prices that Customers Pay



Both DS1 and DS3 rates that customers pay declined by more than 24 percent in real terms between 2002 and 2008.

Special Access Customers Have Admitted Prices are Low.



- Sprint's Chief Technology Officer, Barry West, said that T-1 lines, the most common type of high-capacity connection to cell sites, are "[r]elatively abundant and inexpensive" in the United States. S. Lawson, *Sprint Picks Wireless Backhaul for WiMAX*, Industry Standard, <http://www.thestandard.com/news/2008/07/09/sprint-picks-wireless-backhaul-wimax> (July 9, 2008).
- Don McCullough, Ericsson's head of marketing for IP Broadband, told Total Telecom that "[i]n the U.S. the ability to lease T1s has retarded microwave: it's always been less expensive to lease T1s." See Anne Morris, Total Telecom, *Microwave to Retain Key Role In Wireless Backhaul, As Fibre Waits In Wings* (Sept. 2, 2009).